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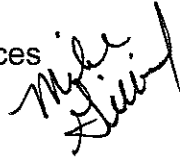
STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING

LISA WEBB SHARPE  
DIRECTOR

August 31, 2006

**MEMORANDUM**

TO: Chief Financial Officers, Administrative Officers, and Chief Accountants

FROM: Mike Gilliland, Acting Director, Financial Services 

SUBJECT: Fiscal Year 2007 DMB Service Rates

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The mission of the Department of Management and Budget (DMB) is to provide cost-effective business services to government in a way that allows our customers to achieve key outcomes that demonstrate effectiveness, efficiency, and accountability. The following information highlights the DMB program activities that provide better business solutions for you.

Attachment 1 describes services to customers and highlights activities undertaken during the past fiscal year to maximize performance and minimize costs.

Attachment 2 is a listing of fiscal year 2007 rates for core DMB services. Detailed rates can be found on the Financial Services Website at [www.michigan.gov/dmb](http://www.michigan.gov/dmb). Click the *Financial Services* tab, and then select *Rates and Agency Object Codes*.

Each DMB program will be actively marketing their services in the coming months. If you have specific service needs or questions, please call the individual program manager, or you may also contact Patricia Lack ([lackp1@michigan.gov](mailto:lackp1@michigan.gov)), Chief Accountant, at (517) 373-9219.

Attachments

c: Phyllis Mellon, DMB, Deputy Director  
Patricia Lack, DMB, Financial Services  
Ron Foss, DMB, Financial Services

## Attachment 1

### Department of Management and Budget Fiscal Year 2007 Description of Services

**AGENCY SERVICES** offers centralized and essential business support services including the Consolidated Print Center, Mail and Delivery Services, Materials Management/Warehousing Services, Mail and Delivery Services, Printing Services, State and Federal Surplus Services, and Vehicle and Travel Services for all state departments.

**Consolidated Print Center** is a centralized, high-speed, high-volume print and distribution center for client/server and mainframe computer output. There continues to be an increase in client/server printing capability that has opened the door to new initiatives such as personalized correspondence and Internet-based printing.

The Consolidated Print Center continues to partner with agencies to suppress unnecessary print and to store such print electronically, resulting in substantial savings for agencies. The program is also changing equipment configurations to increase print efficiency and reduce labor costs. These cost savings helped to stabilize the rates.

#### **Mail and Delivery Services offers two services:**

**Mailing Services** provides mail preparation and mail finishing services to all state agencies and to a number of local units of government, universities, community colleges, and public school systems. This includes services such as presorting mail, accountable mail, pressure sealing of specially designed self-mailers, machine inserting, metering, preparing manual mail, and tracking United Parcel Service usage. In addition, the program offers, mail list management services that standardize addresses, prepares it for presort, and manages customer address databases. Mailing Services also provides consulting services that often result in additional postal savings and the elimination of unnecessary mailings.

In FY06, the program implemented new software that incorporates bar-code technology to streamline the processing and billing of metered mailed, eliminating the need for manual keying of mail cards and resulting in labor savings for this process. New initiatives include installation of two 192-bin mail sorters, conversion of envelopes to permit indicia, and implementation of a mail weighing system on the mail sorters. These improvements will reduce equipment and salary expenses while increasing postal discounts, and demonstrates some of the efforts the program is making to bring value to government. Total savings will be offset, in part, by the need to pay for the new equipment. A major effort to market our services to all state agencies and local units of government, schools, and universities will result in overall state savings by elimination of duplicate services and unnecessary equipment that is already available in our mail processing center.

## Attachment 1

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**Delivery Services** provides scheduled, on-demand, and comprehensive transport services such as: door-to-door, dock-to-dock, inside pickup and delivery, office furniture moves, records delivery, and freight services. The focus is on customized and timely service. Rates are competitive and very often less than those charged by the private sector.

Delivery Services is controlling costs by reducing personnel costs, work-related injuries, and fuel consumption. Delivery Services is also in-sourcing Office Moving Services, which has been aided by the issuance of purchasing operations letter #124 which requires that all agencies utilize Delivery Services for all moves within a 50 mile radius of Lansing. By aggressively marketing and being the vendor of choice to move state agencies, the volume of business has increased, both within the Lansing area as well as other outstate areas of the state, thereby mitigating rate increases in FY07.

**Materials Management Services** offers competitive pricing and high-quality warehousing services to customers through economies of scale, efficient use of space, and the proactive management of physical assets. Customers have a choice of inventory controlled warehousing or general storage.

In partnership with our customers, we continue to reduce the amount of obsolete or inactive forms and publications that are warehoused. Warehouse Services is working toward the consolidation of leased warehouse space into state owned space.

**Printing Services** offers consulting services and a full range of printing and copying services. Comprehensive consulting services ensure that printing needs are met using the best service option possible. In-house services include graphic design, digital copying, offset printing, and finishing. Satellite copy centers have been downsized and networked, resulting in more efficient workflow and providing print at the closest point of need. A rapid copy Web submission tool has been implemented to increase efficiencies and response time. The program continues to review statewide policies, equipment leases, vendor contracts and service offerings to maximize efficiency. The program continues to actively seek new customers such as colleges and universities and local units of government.

**State Surplus** provides services for the disposition and management of state surplus personal property. The State Surplus program continues to promote reutilization of surplus property by state agencies. State Surplus also promotes surplus property sales to local units of government, school districts, and colleges and universities throughout the state. In FY05 State Surplus opened a storefront for the general public, which provides greater public access to purchase surplus property that did not sell at public auction. State Surplus is increasing Internet auctions sales, which decreases handling costs.

## Attachment 1

### Department of Management and Budget Fiscal Year 2007 Description of Services

**Federal Surplus** continues to offer direct access to federal surplus property without the added cost of warehousing. All eligible donee organizations have access to federal surplus property by screening electronically on the federal government's World Wide Web sites. The state's program assists in securing and shipping the property directly to the requesting organization.

**Vehicle and Travel Services** is the fleet management and travel services provider. The program is committed to reducing costs while providing safe and dependable transportation and travel services to government.

Fleet management initiatives have resulted not only in fleet reductions, but also in longer retention of well-performing vehicles. These efforts enable Vehicle Services to maintain the proper mix of vehicles needed for an efficient, cost-effective fleet. Other examples of cost-saving efforts include the establishment of standardized vehicles for similar job functions, eliminating unnecessary and costly vehicle options, and renegotiation of fleet management service contract terms.

Vehicle rates are made up of two components, a fixed fee and a per-mile rate. Truck rates are calculated on an individual basis.

A fixed fee, also called a blended rate, is developed for each rate group such as midsize, large, police, and others. The calculation includes the anticipated average lease cost, prior year gains and losses, vehicle selection assumptions, and resale estimates. Also included in the fixed fee is the cost of self-insurance for no-fault liability claims. This calculation involves anticipated claims divided by the number of vehicles. From an actuarial perspective, we do not anticipate that FY07 claims will increase materially. The FY07 fixed fee for midsize and large vehicles again decreased significantly.

The per-mile rate reflects variable operating costs of fuel, maintenance and administrative charges for each rate group. Vehicle Services continues to seek ways to reduce these costs. The per-mile rate for midsize and large vehicles increased for FY07 from the current rate. Maintenance and administrative costs have remained stable, but fuel costs continue to increase and remain volatile. The per-mile rate may be adjusted in FY07 if actual fuel costs vary significantly from the current estimates.

Vehicle Services continues to partner with state government agencies to improve inter-agency communication and fleet planning. These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government.

The Travel Services' reservation fee remains unchanged. Travel Services continues to enhance services by leveraging the latest technologies in the area of Web conferencing, video conferencing, and teleconferencing.

## Attachment 1

### Department of Management and Budget Fiscal Year 2007 Description of Services

**FACILITIES ADMINISTRATION** offers services in four major areas of functional responsibility.

**Planning, Parking & Security** provides lifecycle asset management for DMB-managed buildings, including infrastructure and preventive maintenance planning, the development of a strategic five-year capital improvement plan, and capital outlay funding. It also provides parking, security, and access control services in all DMB-managed/owned facilities.

**Design and Construction** provides state agencies, universities, and community colleges with architectural and engineering services, surveying, construction management, and quality control services for infrastructure improvements and new construction projects. Design and Construction also procures contracted services for all state agencies' construction and renovation projects.

**Building Operations** maintains, repairs, operates, and extends the infrastructure life of over 5 million square feet of facilities owned or managed by DMB. It is also responsible for rapid modular construction and grounds maintenance for more than 1,000 acres, as well as the operation and maintenance of steam and chilled water production plants.

**Real Estate** manages state-owned lands and handles the disposition of surplus property. The continued cooperative effort between the Real Estate Division and state agencies to consolidate space has resulted in the early cancellation of leases and/or rent reductions. The program delivers cost-effective leases that best meet the needs of government.

Facilities Administration continues to build and design facilities that satisfy customer requirements, meet timelines, optimize life cycle costs, and maximize the state's infrastructure investment.

The state's renovation and construction projects have an impact on jobs creation and ultimately Michigan's economy and quality of life. The Governor's Jobs Today Initiative has brought this impact to the forefront in 2006. The Office of Facilities is leading the effort to accelerate the creation of new jobs in the building trades, construction, and related service industries by expedited planning and management of state infrastructure improvement projects.

Facilities Administration staff of skilled maintenance personnel, facility managers, professional engineers, architects, surveyors, planners, and contract administration personnel enable the office to provide a range of related services and take a leadership role on a number of key state initiatives.

## Attachment 1

### Department of Management and Budget Fiscal Year 2007 Description of Services

Facilities Administration partnered with all state agencies to implement energy savings measures to meet the energy directive reduction target of 10% by the end of 2008. Energy-saving strategies that have already been implemented have resulted in several millions of dollars of savings to state agencies.

Facilities Administration also provides emergency response and Homeland Security support and coordination.

**STATE BUILDING AUTHORITY** is responsible for financing the state's major capital outlay projects, including colleges and universities. In addition, the Risk Management unit of the State Building Authority is responsible for providing commercial insurances to state agencies.

**Risk Management** provides the property and general liability insurance requirements of state agencies, as required by law or special need. Insurance coverage includes, but is not limited to, aircraft and airport liability, employee bond, and crime insurance. The office is also responsible for the administration of the state's motor vehicle fleet self-insurance program. For FY07 the administrative fee charged above the actual premium cost, is being reduced from 6.75% to 3% due to a projected fund surplus. The FY07 vehicle insurance rates will remain the same as the FY06 rates. The vehicle insurance fund will use fund reserves to maintain the rates.

During the coming fiscal year, Risk Management staff will explore the most cost-effective means to provide insurance coverage.

# Department of Management and Budget Fiscal Year 2007 Service Rates

Acquisition Services		FY2006 Rate	FY2007 Rate	Unit of Issue
Office Supply Contract		6%	6%	of purchase cost
<b>Agency Services</b>				
<i>Consolidated Print Center</i>				
Consolidated Print		\$0.0500	\$0.0500	per image
Warrant Image		\$0.0600	\$0.0600	per image
<i>Delivery Services</i>				
Dedicated Freight Runs, Regional Mail Route Service, and Freight Work Orders		quotes provided in advance	quotes provided in advance	
<i>On Demand Freight Service</i>				
Labor		\$65.04	\$67.49	per hour
Vehicle – per hour		\$13.34	\$15.24	per hour
Vehicle – per mile		\$ 0.59	\$ 0.69	per mile
Minimum Charge: 1 hour (consists of Labor + Vehicle + 20 miles)		\$90.18	\$96.53	
<i>Mailing Services</i>				
Presort – Tier 2		\$0.0200	\$0.0200	per piece
Metered Packages		\$ 1.50	\$ 1.40	per piece
Metered Mail		\$ 0.040	\$0.0424	per piece
<i>Materials Management</i>				
Warehouse Space – Hazel Street		\$ 5.64	\$ 7.83	per square foot per year
Warehouse Space – Sunset Street		\$ 4.14	\$ 5.32	per square foot per year
Inventoried Materials Management and Storage		\$20.77	\$21.00	per square foot per year
Secured Storage Management		\$25.00	\$30.00	per square foot per year
Inventoried Materials Handling Fee		\$ 5.00	\$ 6.00	per ship to address
<i>Printing Services</i>				
Digital Copy		\$0.0510	\$0.0540	per copy

# Department of Management and Budget Fiscal Year 2007 Service Rates

Agency Services (continued)		FY 2006 Rate	FY 2007 Rate	Unit of Issue
<i>State Surplus</i>				
Sealed Bid Processing		8%	12%	of sale price
Treasury Unclaimed Property SLA		12%	12%	of sale price
HAL and Museum Artifacts SLA		12%	12%	of sale price
Miscellaneous Auction Restricted Funds		8%	12%	of sale price
Equipment Auction Fee		8%	12%	of sale price
Vehicle Sale Charge		6-7% based on volume	10%	of sale price
<i>Vehicle and Travel Services</i>				
<i>Midsized Vehicles</i>				
Fixed fee for lease and insurance costs		\$140.00	\$113.00	per month
Per-mile rate for fuel, maint. and operating costs		\$0.1777	\$0.1854	per mile
<i>Large Vehicles</i>				
Fixed fee for lease and insurance costs		\$206.00	\$159.00	per month
Per-mile rate for fuel, maint. and operating costs		\$0.1858	\$0.1924	per mile
Travel Services Reservation Fee		\$32.00	\$32.00	per reservation
<b>Facilities</b>				
Management Services for Miscellaneous Operating Projects (MOPS) and Lump Sum Projects		5% of total project cost	5% of total project cost	
Management Services for State Agency Line Item		1.5% of total project cost	1.5% of total project cost	
<i>Building Occupancy</i>				
Lansing Complex Charge		\$15.79	\$14.80	per square foot
<b>Strategic Asset Management</b>				
<i>Risk Management</i>				
Type A Vehicle Insurance		\$372.00	\$372.00	per vehicle per year
Type C Vehicle Insurance		\$78.00	\$78.00	per vehicle per year
Type M Motorcycle Insurance		\$186.00	\$186.00	per vehicle per year
Other Insurance		Actual + 6.75%	Actual + 3.00%	administrative fee